

Part I: Employment Situation Through May

Presented to
Consensus Economic Forecasting Commission
June 25, 2020

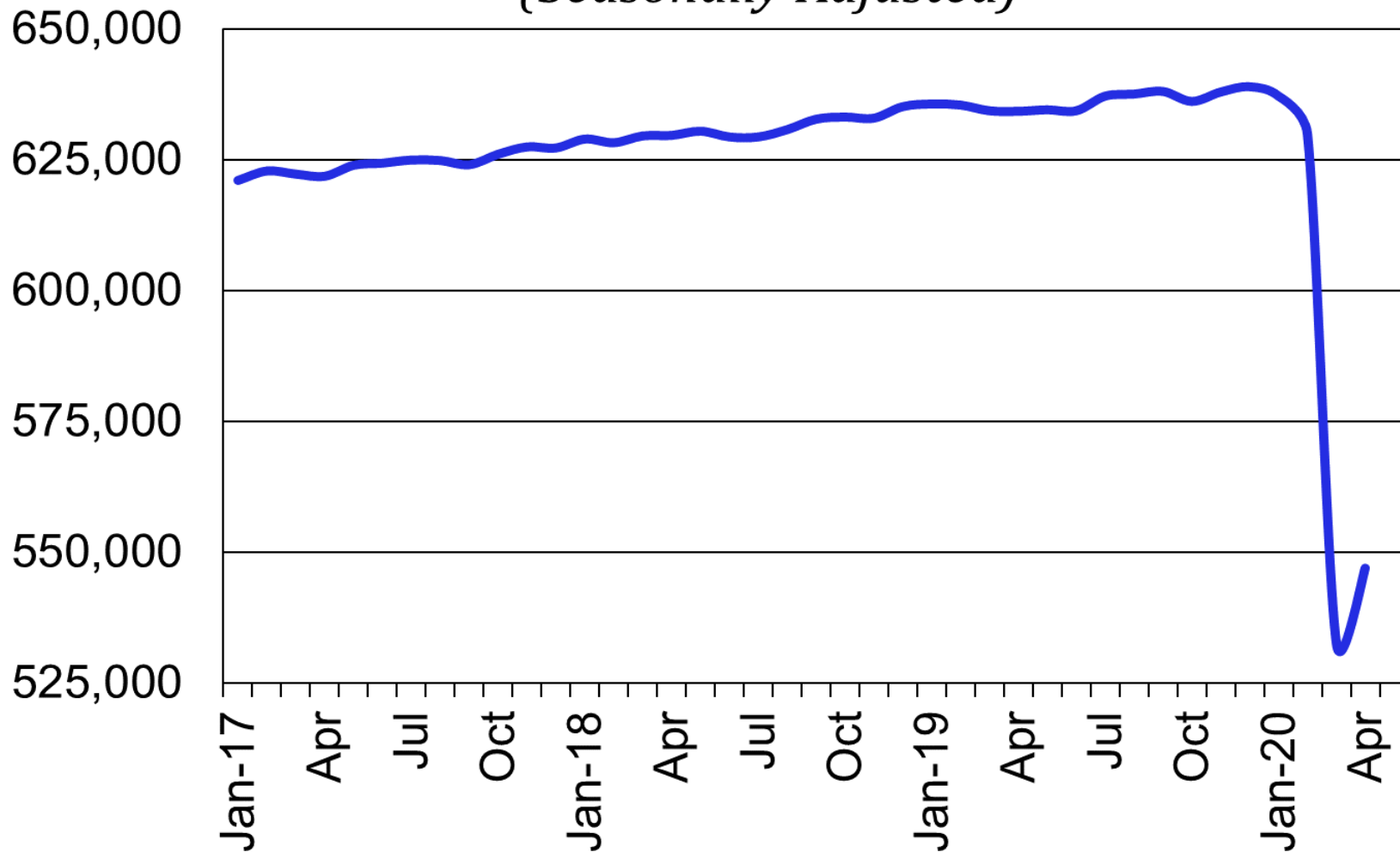


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The pandemic disrupted the labor market with sharp job losses and rising unemployment. It also disrupted normal survey operations, including response rates, and caused problems with classification of the labor force status of many of people who recently lost employment. Official unemployment estimates for April and May significantly understate the level of job displacement that has occurred.

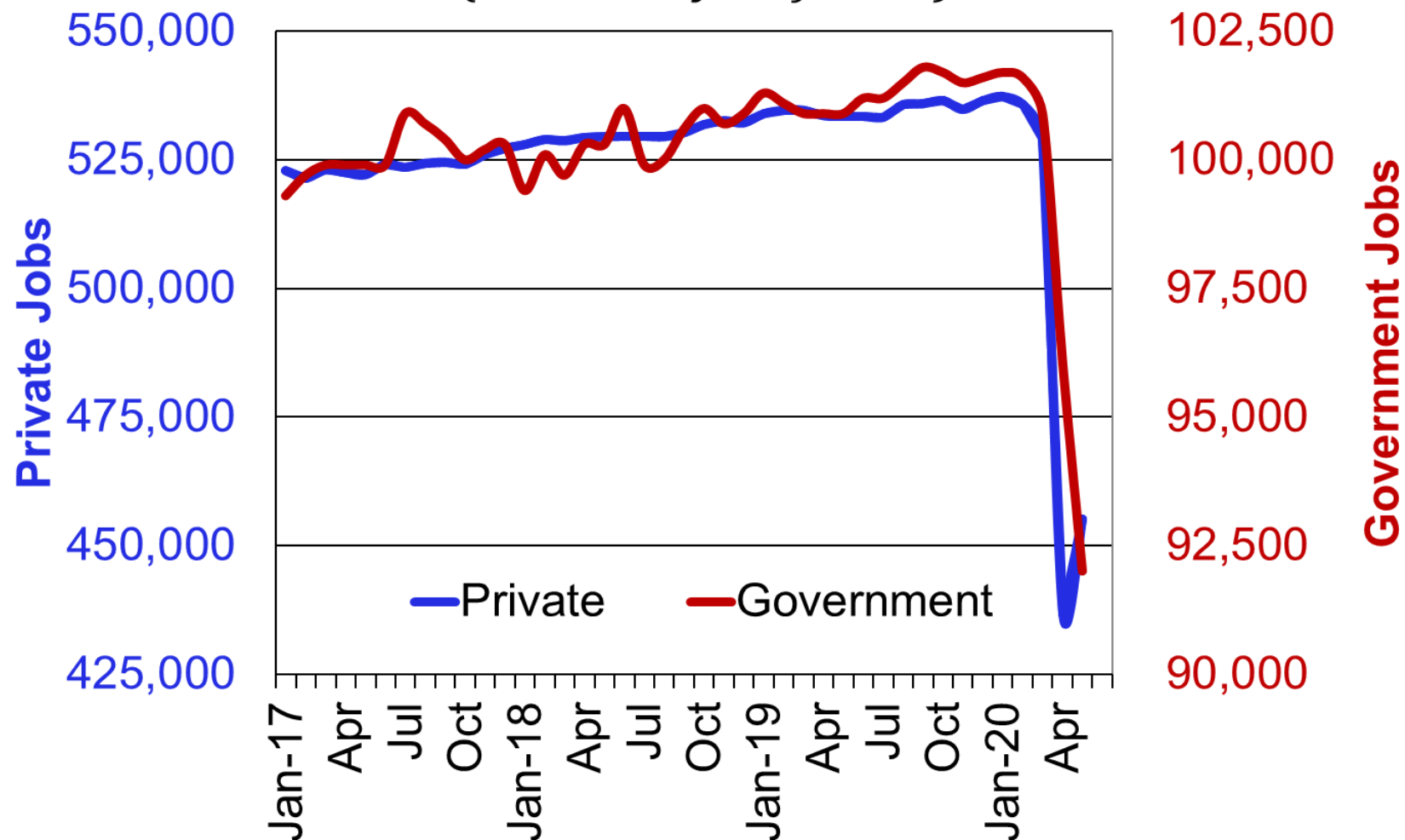
Payroll Jobs Survey

Nonfarm Payroll Jobs (Seasonally Adjusted)



Nonfarm payroll jobs decreased 104,500 between February and April, before rebounding 14,300 in May. The 547,100 jobs in May was down 90,200 (14%) from February.

Private Sector & Government Payroll Jobs (Seasonally Adjusted)



Job losses impacted both the private and public sectors. In the three months through May, jobs were down 15% in the private sector and 9% in the public sector.

Much of the public sector decline was due to the earlier than normal end to the school year.

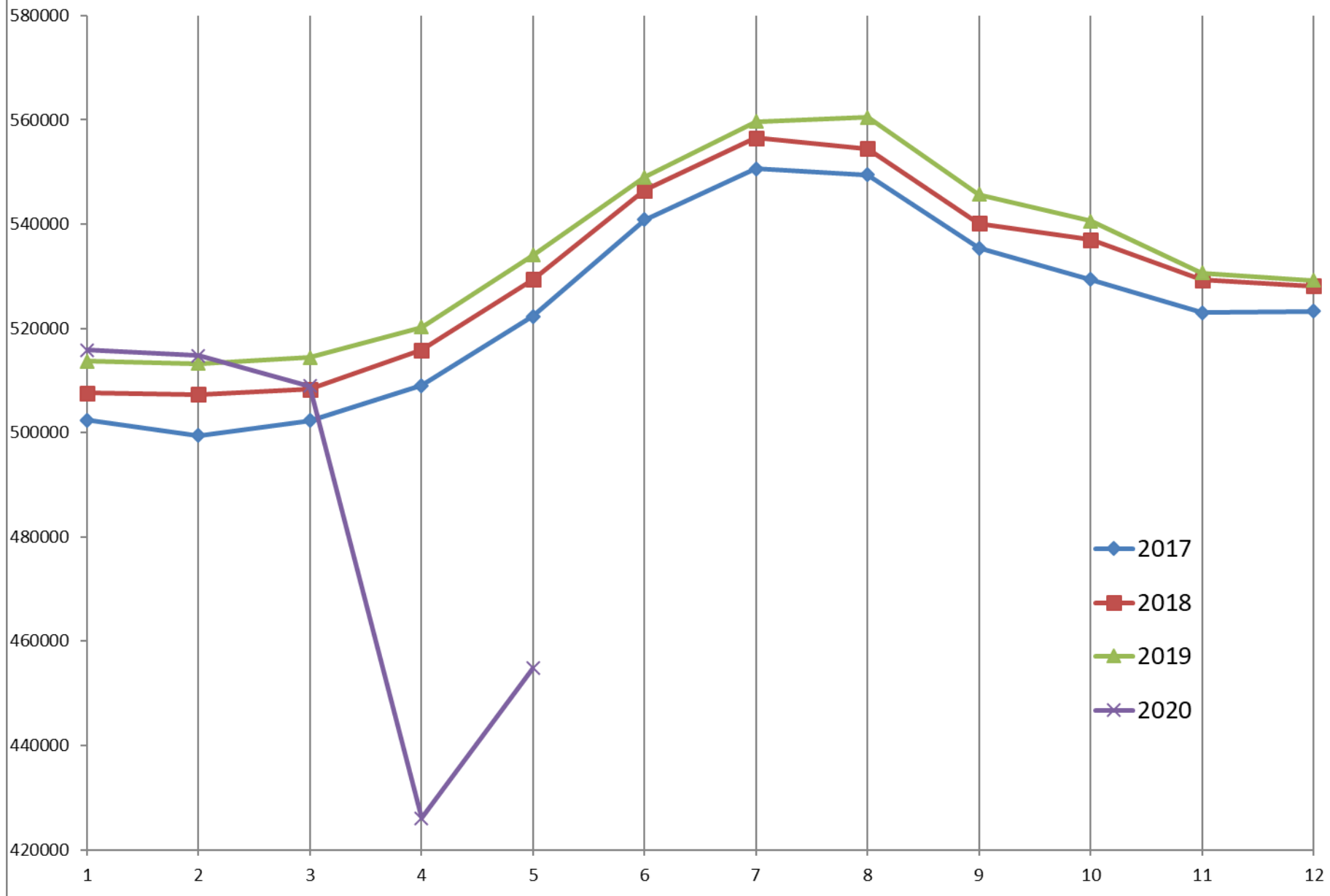
Nonfarm Payroll Jobs in Maine by Sector and Metro Area, Seasonally Adjusted						
Sector/Area	Jobs (in thousands)			Net Change		Percent Change Since February
	February	April	May	Over Month	Since February	
Total Nonfarm Jobs	637.3	532.8	547.1	14.3	-90.2	-14%
Private Sector	535.7	436.7	455.1	18.4	-80.6	-15%
Leisure & Hospitality	69.9	28.7	34.8	6.1	-35.1	-50%
Health Care & Social Assistance	107.3	90.9	92.4	1.5	-14.9	-14%
Retail Trade	80.8	68.6	72.4	3.8	-8.4	-10%
Professional & Business Services	68.2	61.6	63.0	1.4	-5.2	-8%
Manufacturing	53.2	45.3	49.4	4.1	-3.8	-7%
Other Services	23.1	18.9	19.3	0.4	-3.8	-16%
Educational Services	22.7	18.9	19.3	0.4	-3.4	-15%
Information	7.4	5.7	5.6	-0.1	-1.8	-24%
Financial Activities	33.3	32.5	31.6	-0.9	-1.7	-5%
Wholesale Trade	19.1	18.2	18.2	0.0	-0.9	-5%
Transportation, Warehousing & Utilities	18.5	16.7	17.6	0.9	-0.9	-5%
Construction, Mining & Logging	32.2	30.7	31.5	0.8	-0.7	-2%
Government	101.6	96.1	92.0	-4.1	-9.6	-9%
State Government	25.7	25.6	23.1	-2.5	-2.6	-10%
Local Government	59.2	53.4	52.0	-1.4	-7.2	-12%
Federal Government	16.7	17.1	16.9	-0.2	0.2	1%
Portland-South Portland MSA	214.5	178.3	179.5	1.2	-35.0	-16%
Lewiston-Auburn MSA	51.9	45.1	46.6	1.5	-5.3	-10%
Bangor MSA	69.2	60.0	60.4	0.4	-8.8	-13%
Non-Metro Areas	301.7	249.4	260.6	11.2	-41.1	-14%

Numbers may not add due to rounding.

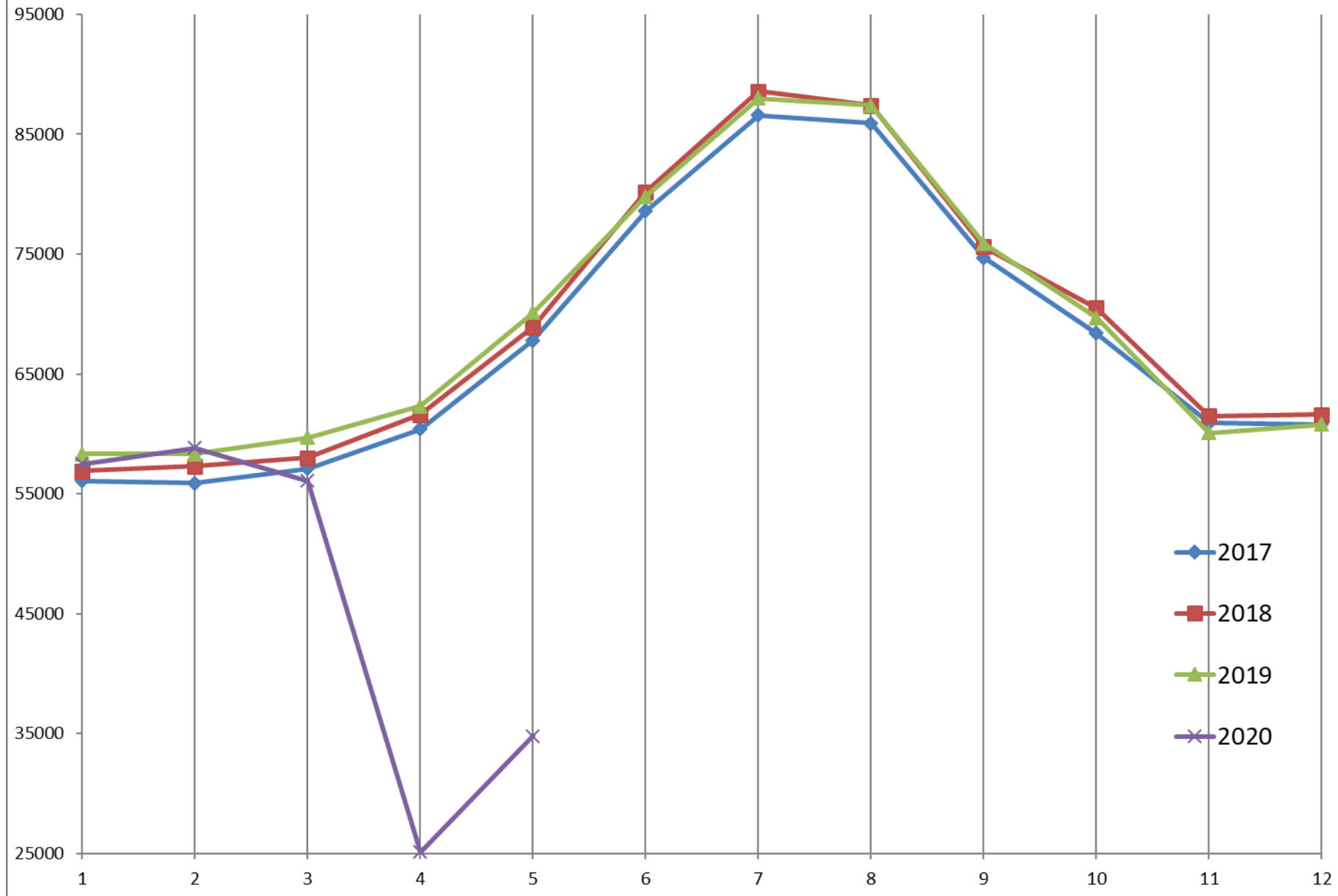
Nearly two-thirds of net job loss was in the hospitality, healthcare and social assistance, and retail sectors. The sharpest rates of job loss were in the hospitality, information (including movie theaters), private education, and healthcare sectors.

Job losses have been sharpest in the Portland metro area, which has a concentration of the most challenged industries, and higher population density.

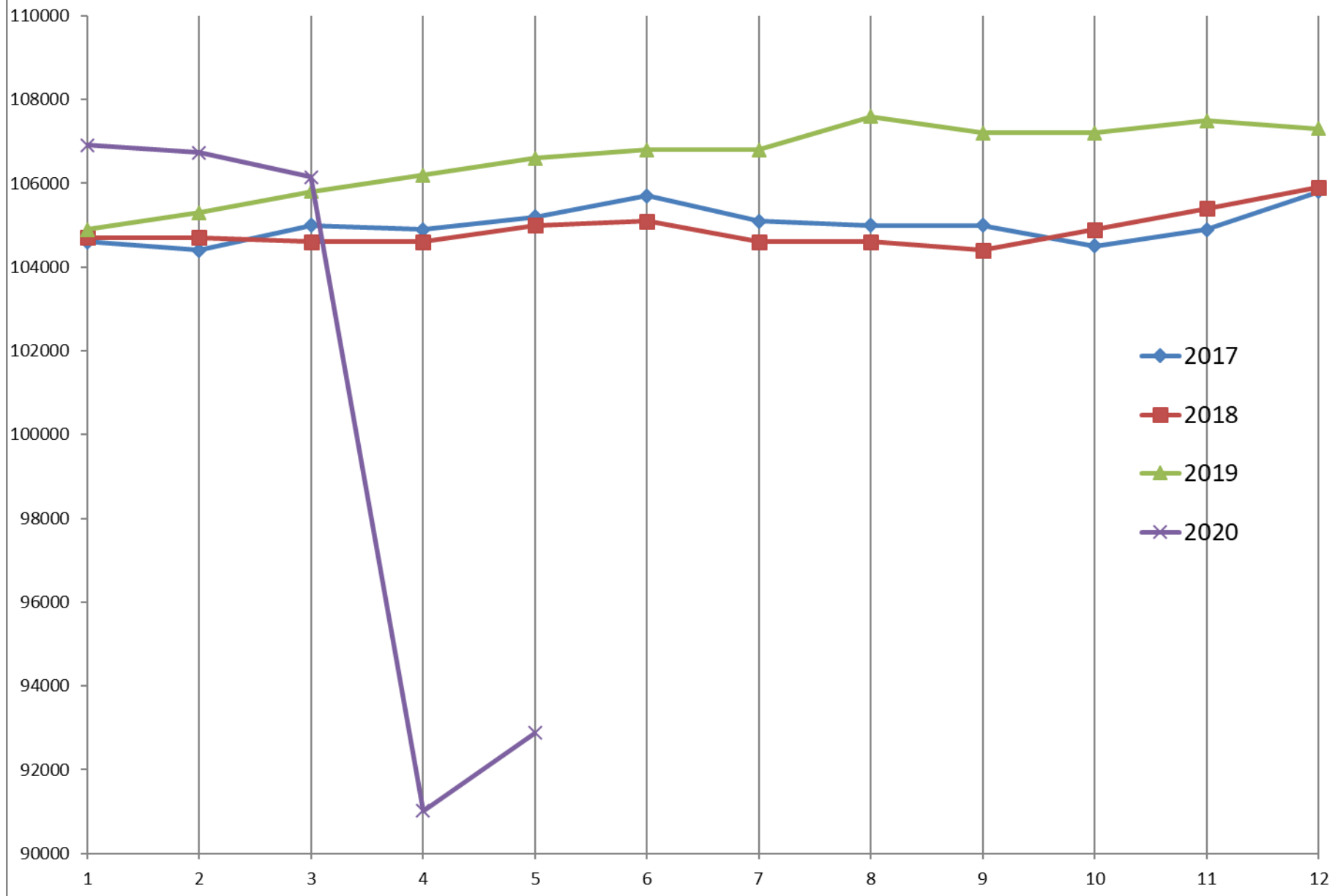
Total Private NSA



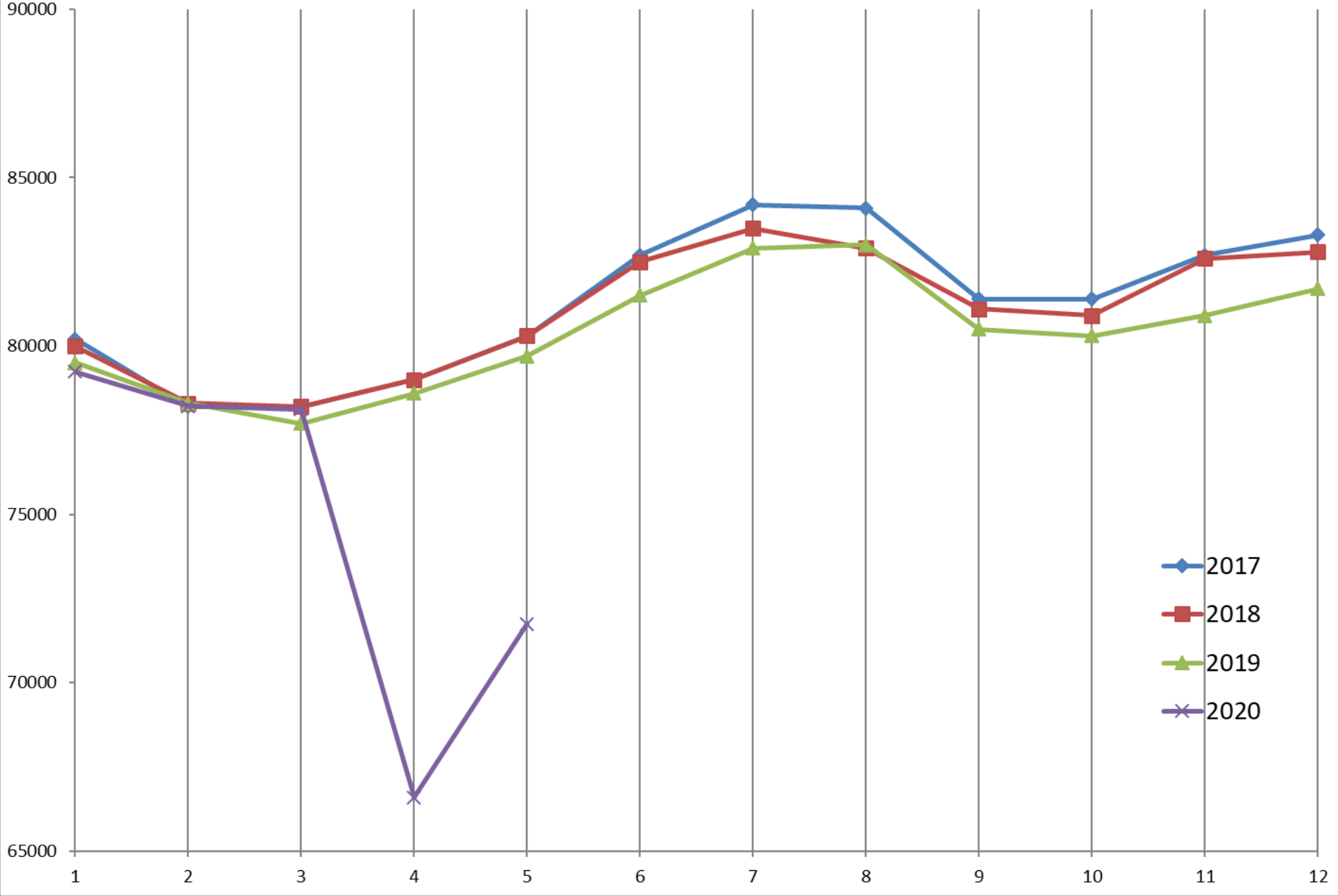
Leisure and Hospitality NSA



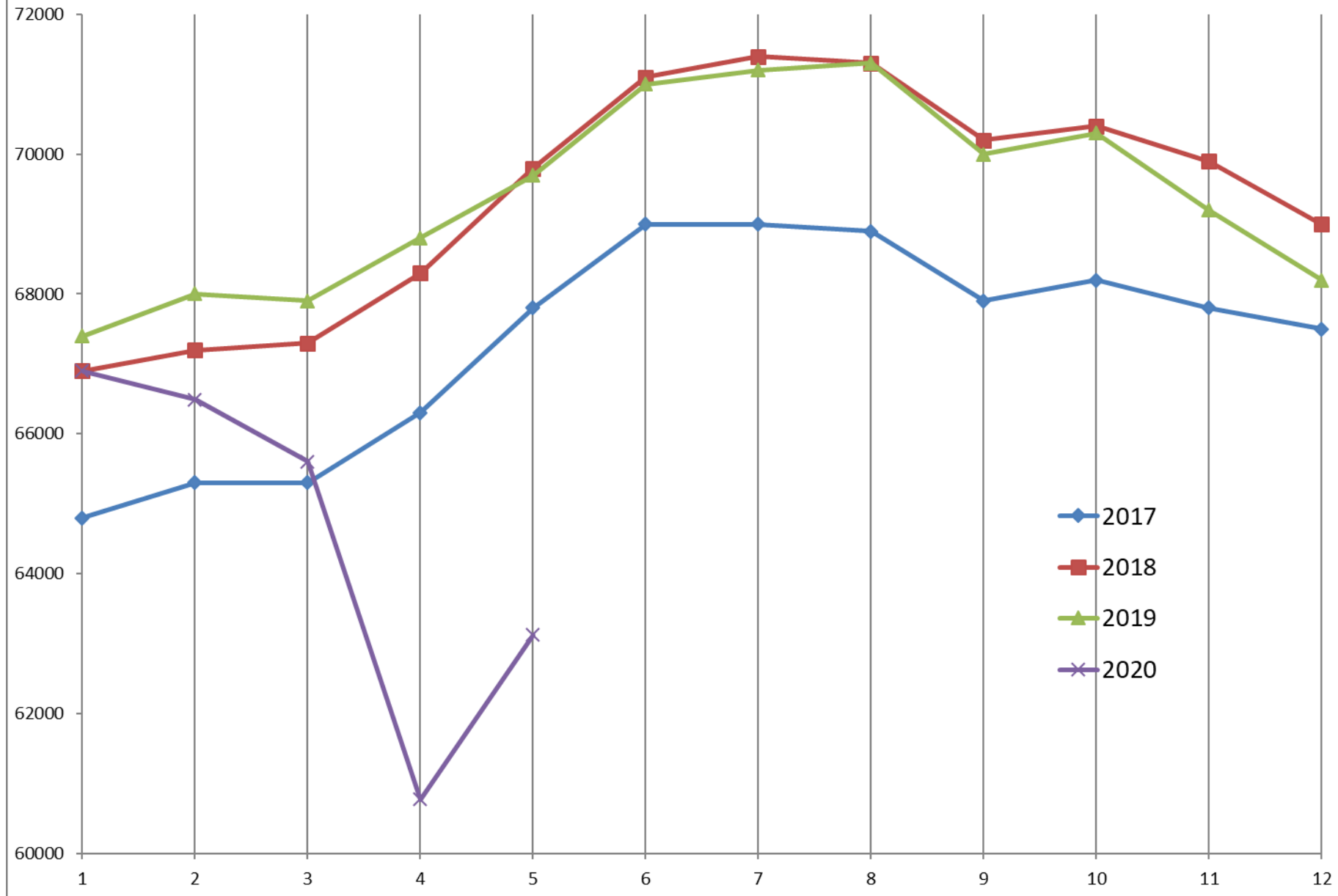
Health Care and Social Assistance NSA



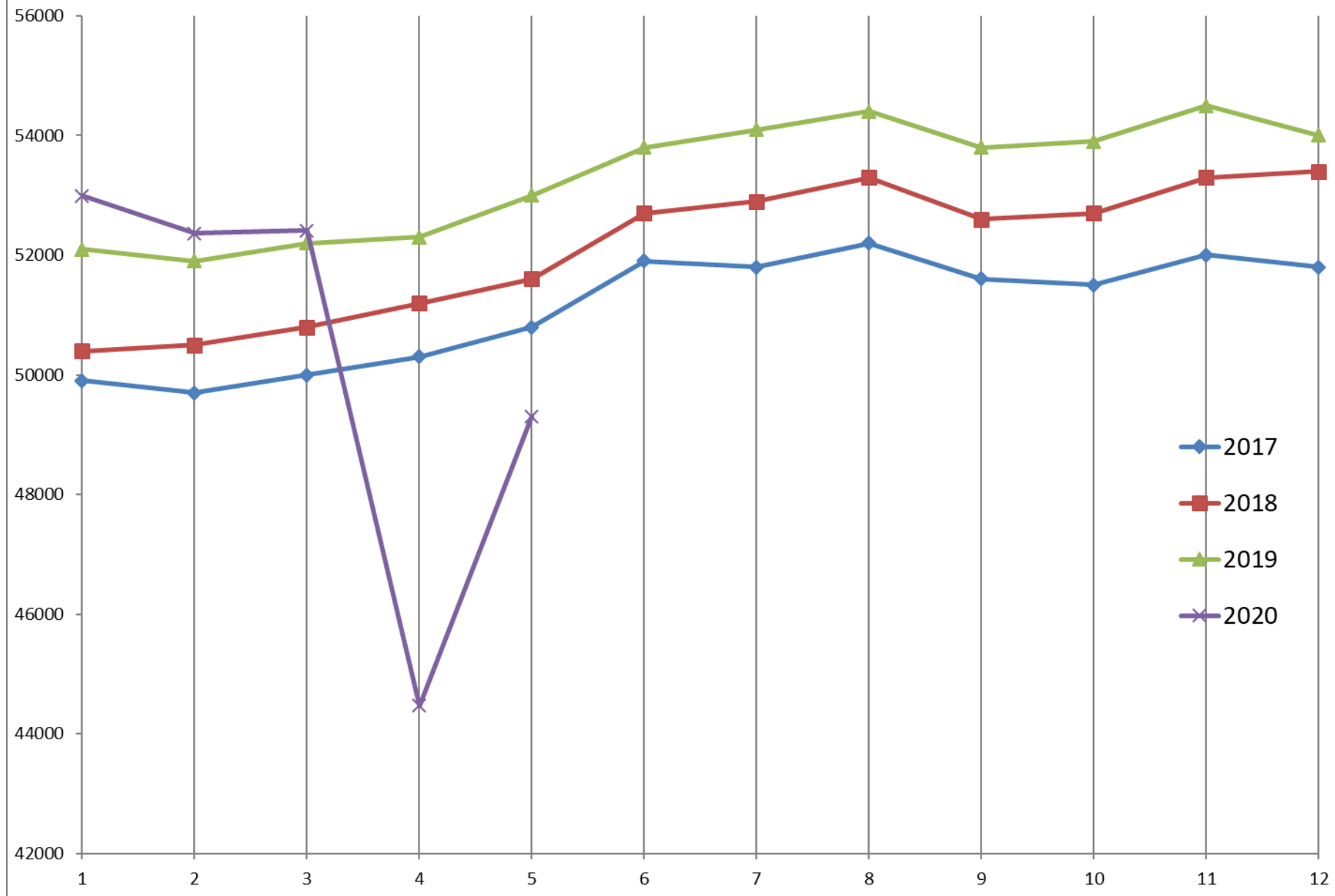
Retail Trade NSA



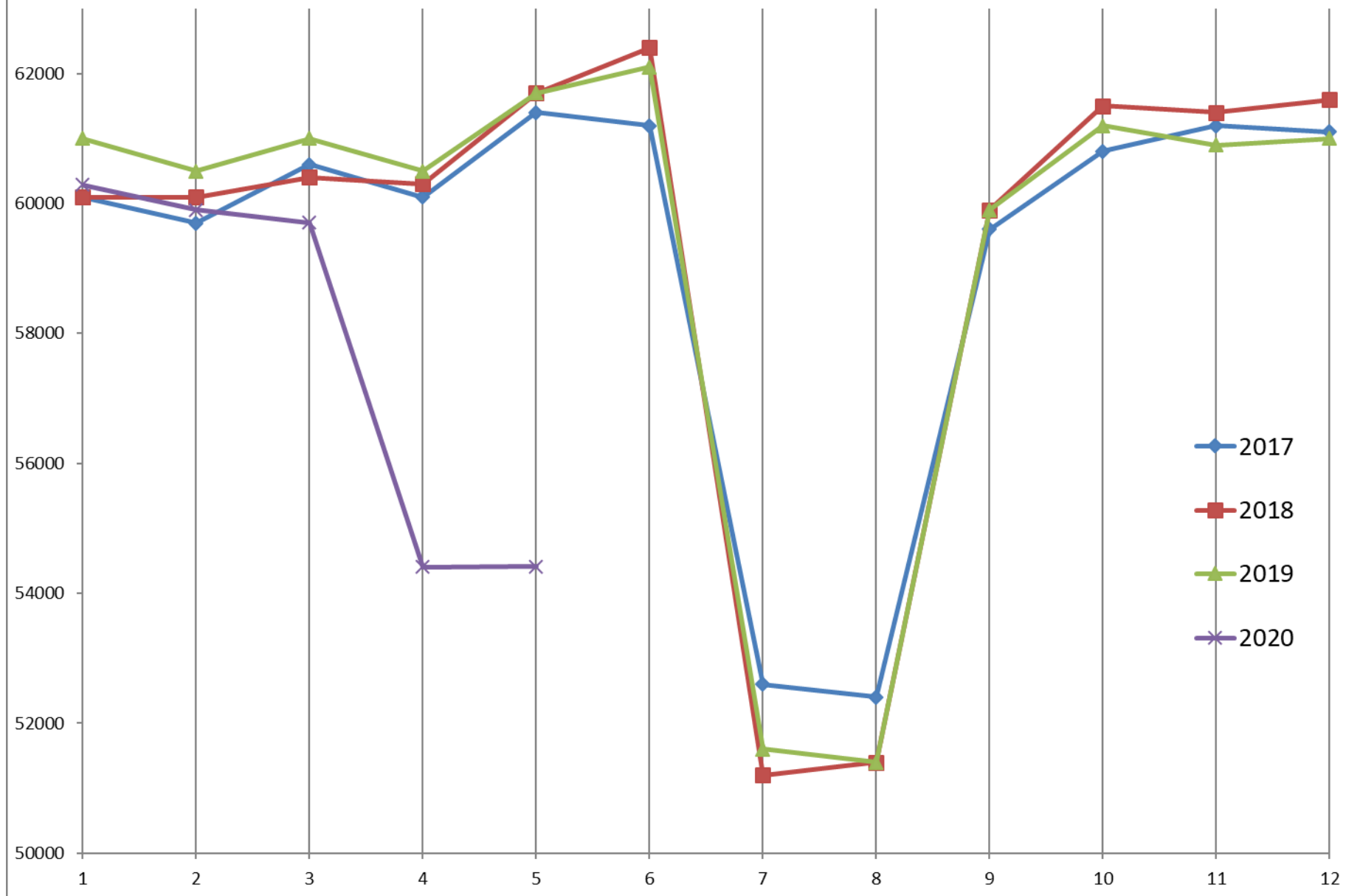
Professional and Business Services NSA



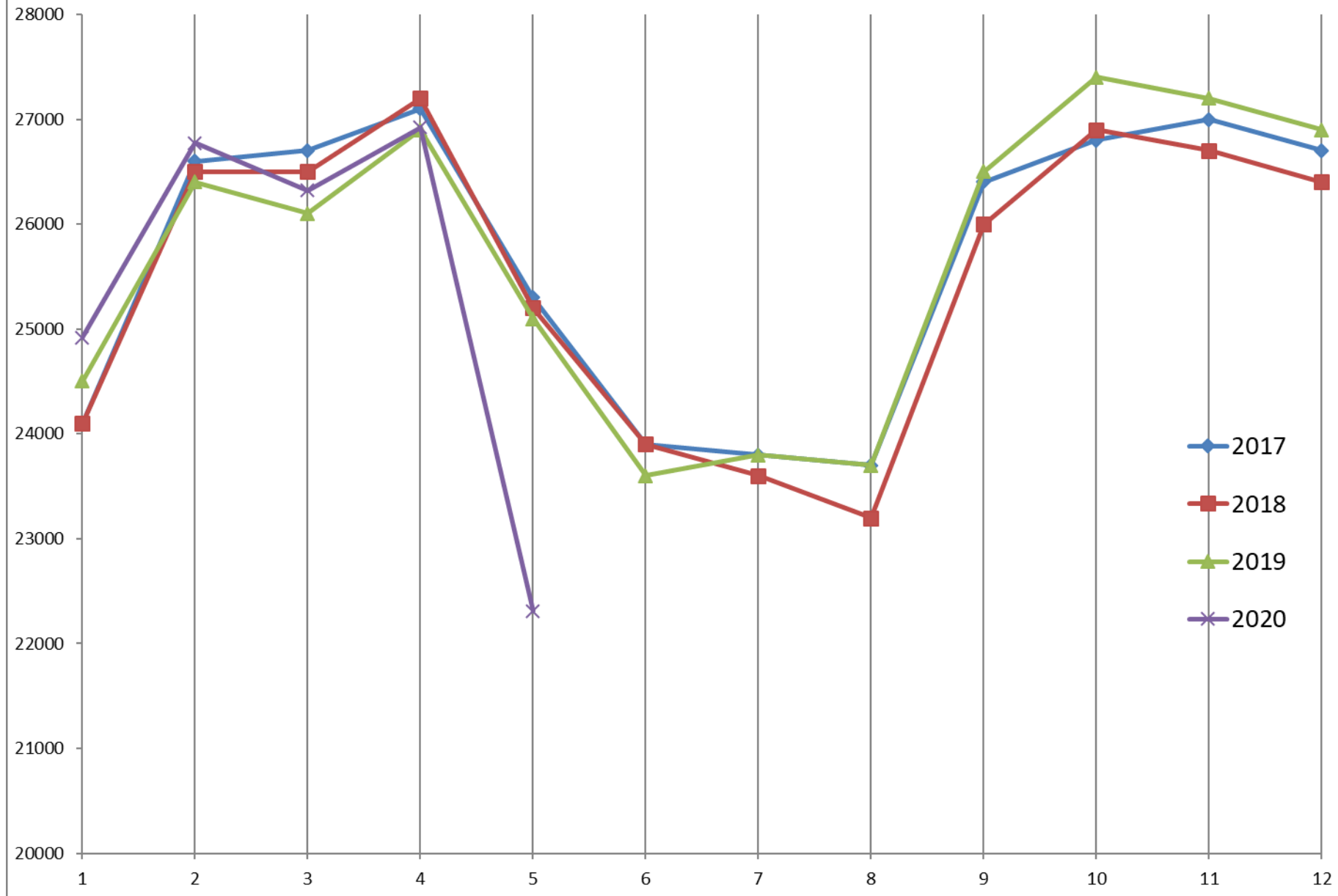
Manufacturing NSA



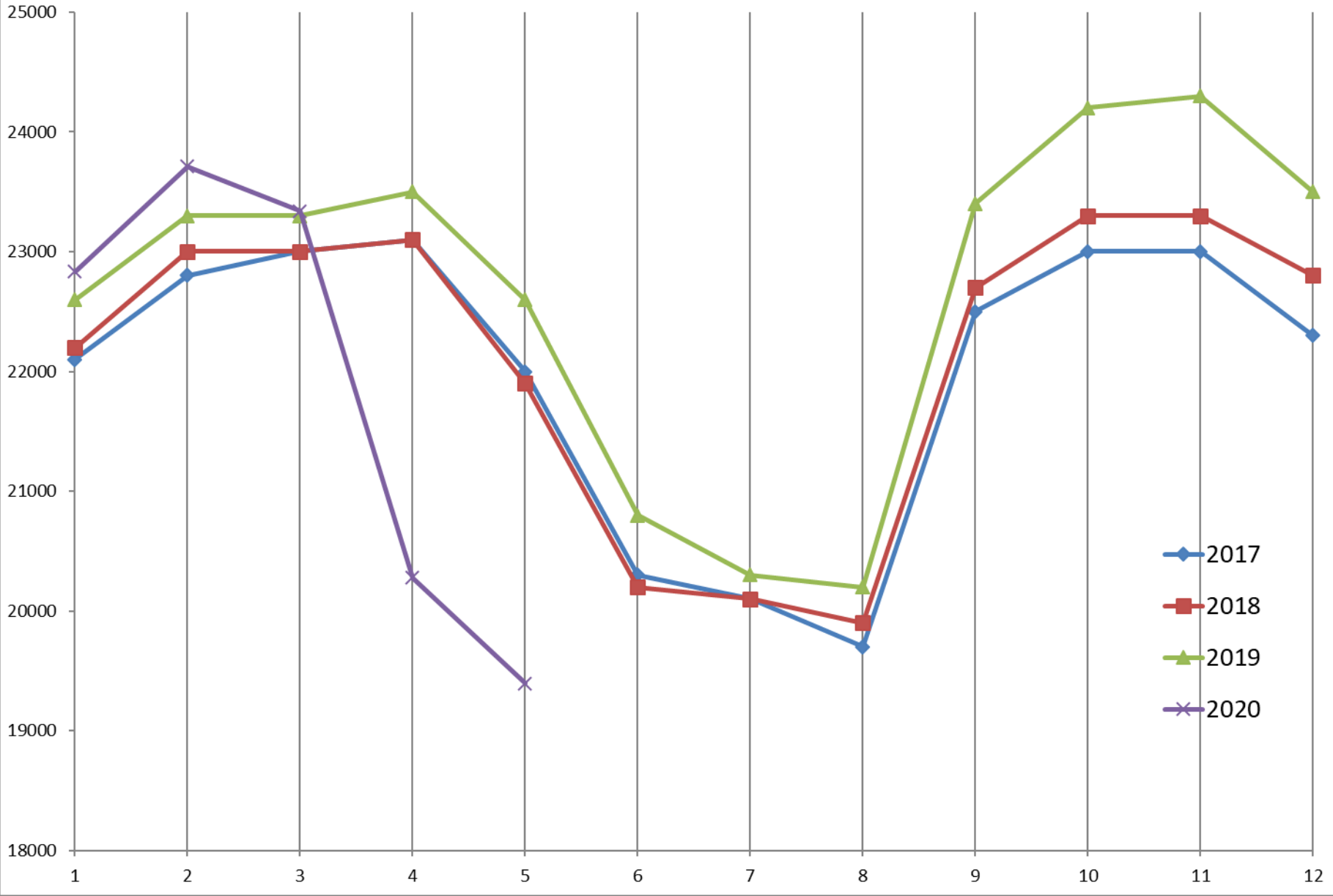
Local Government NSA



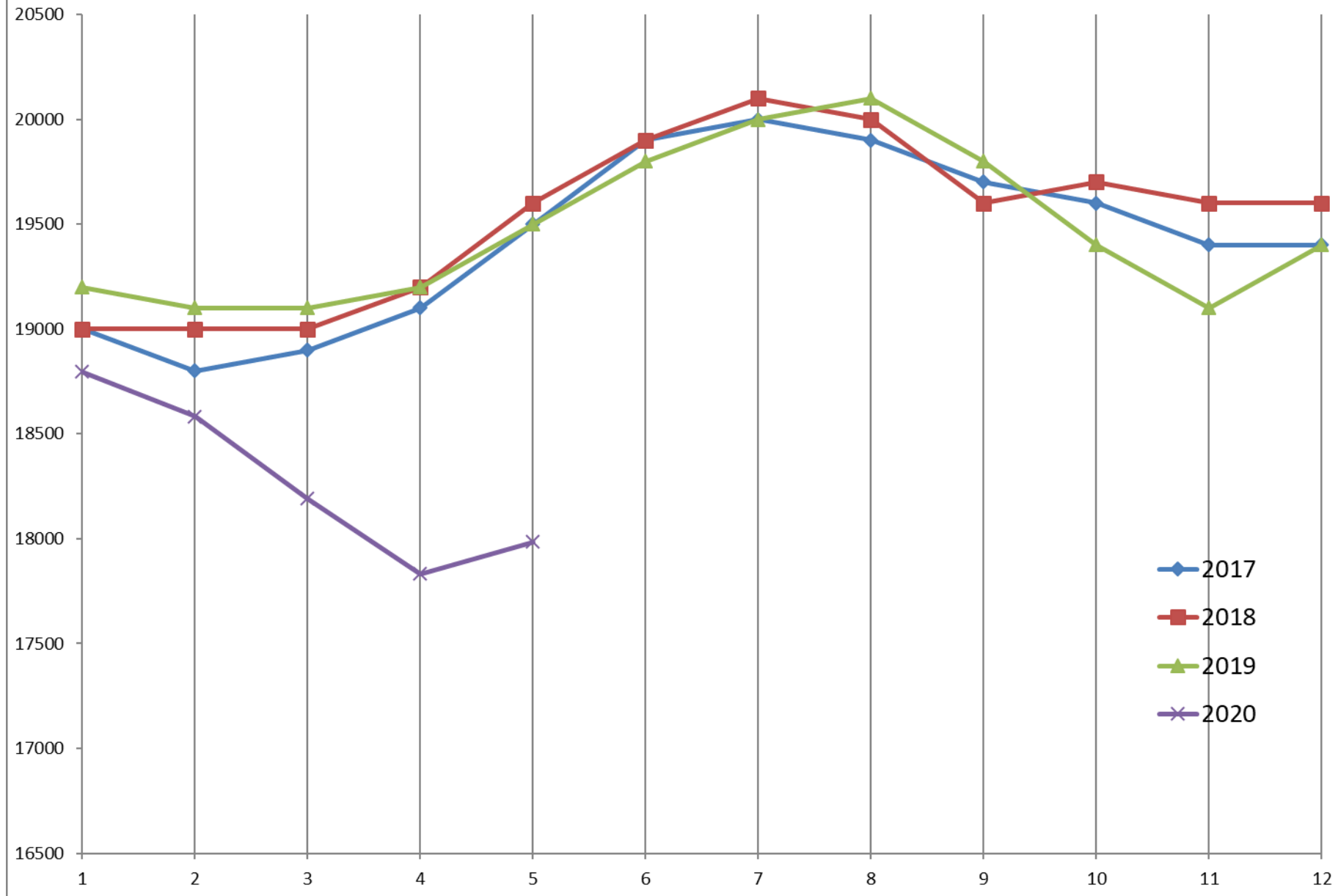
State Government NSA



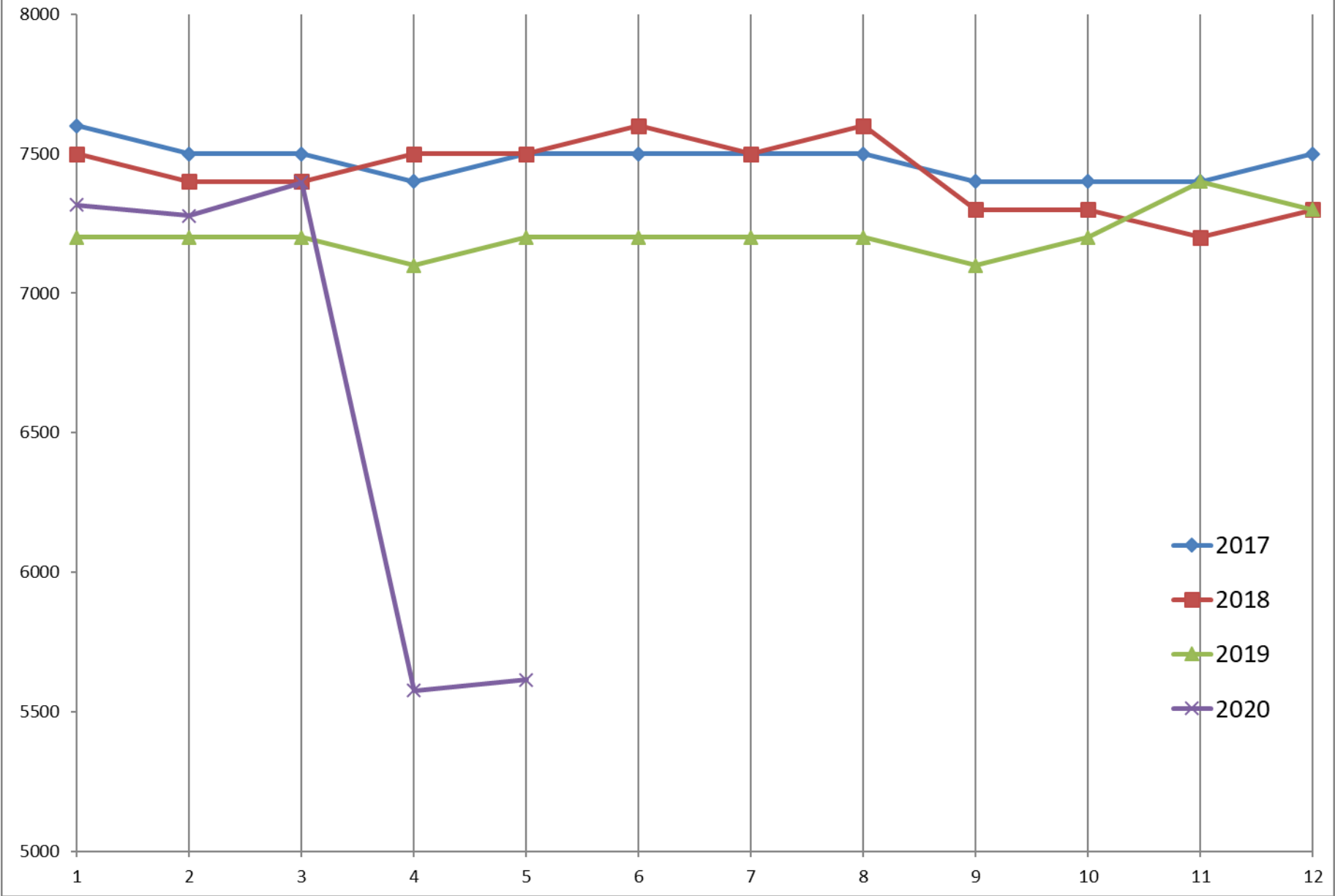
Private Educational Services NSA



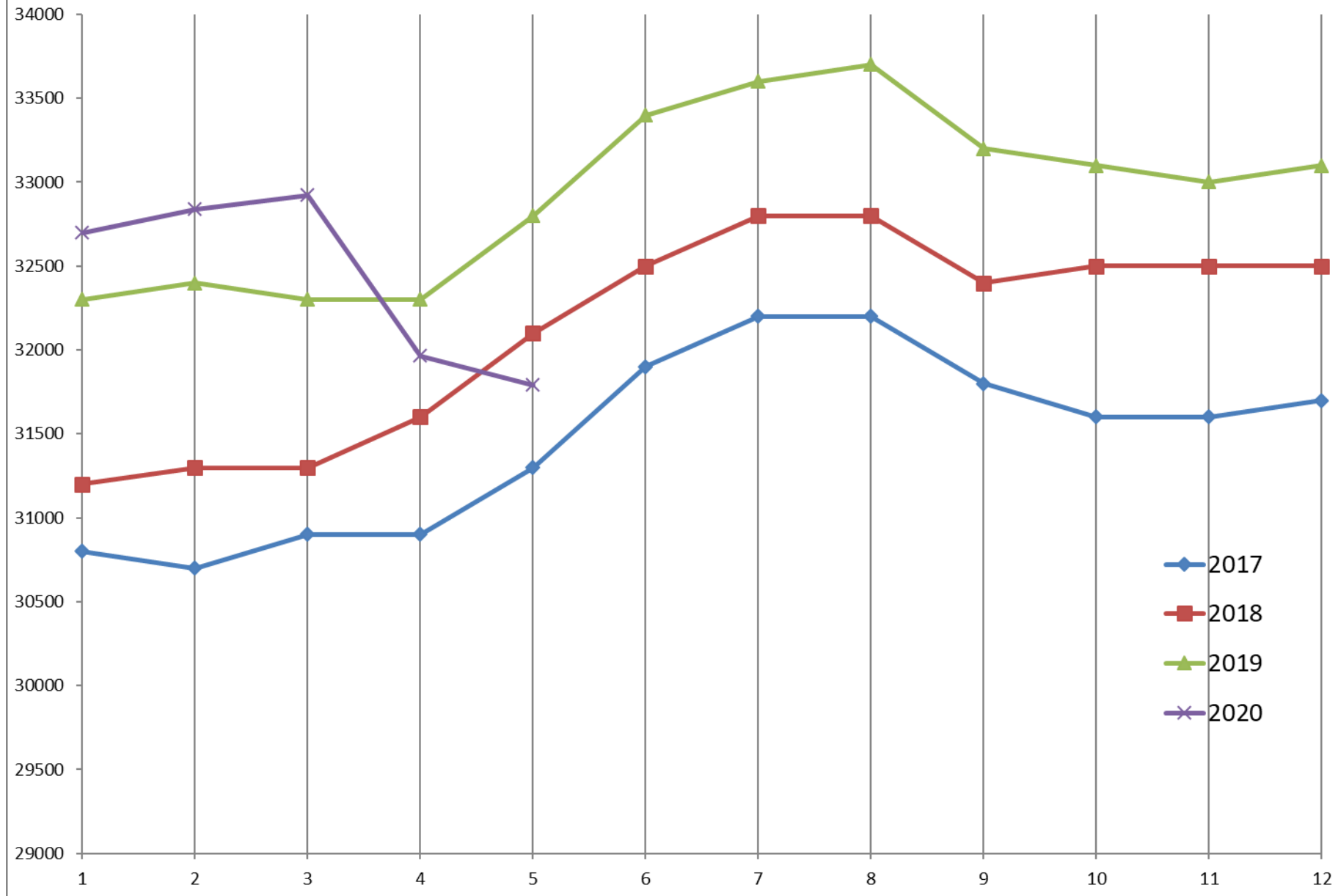
Wholesale Trade NSA



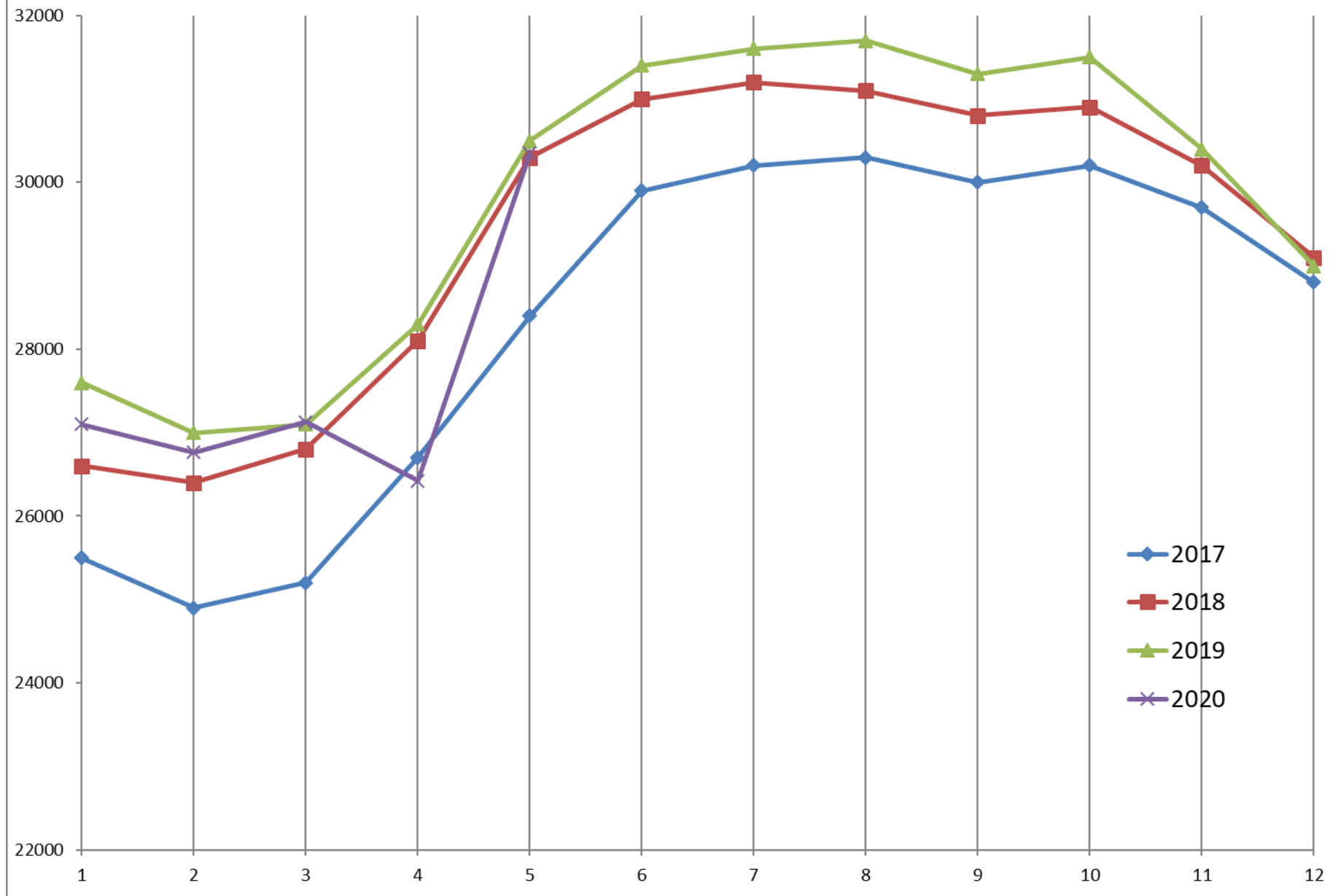
Information NSA



Financial Activities NSA



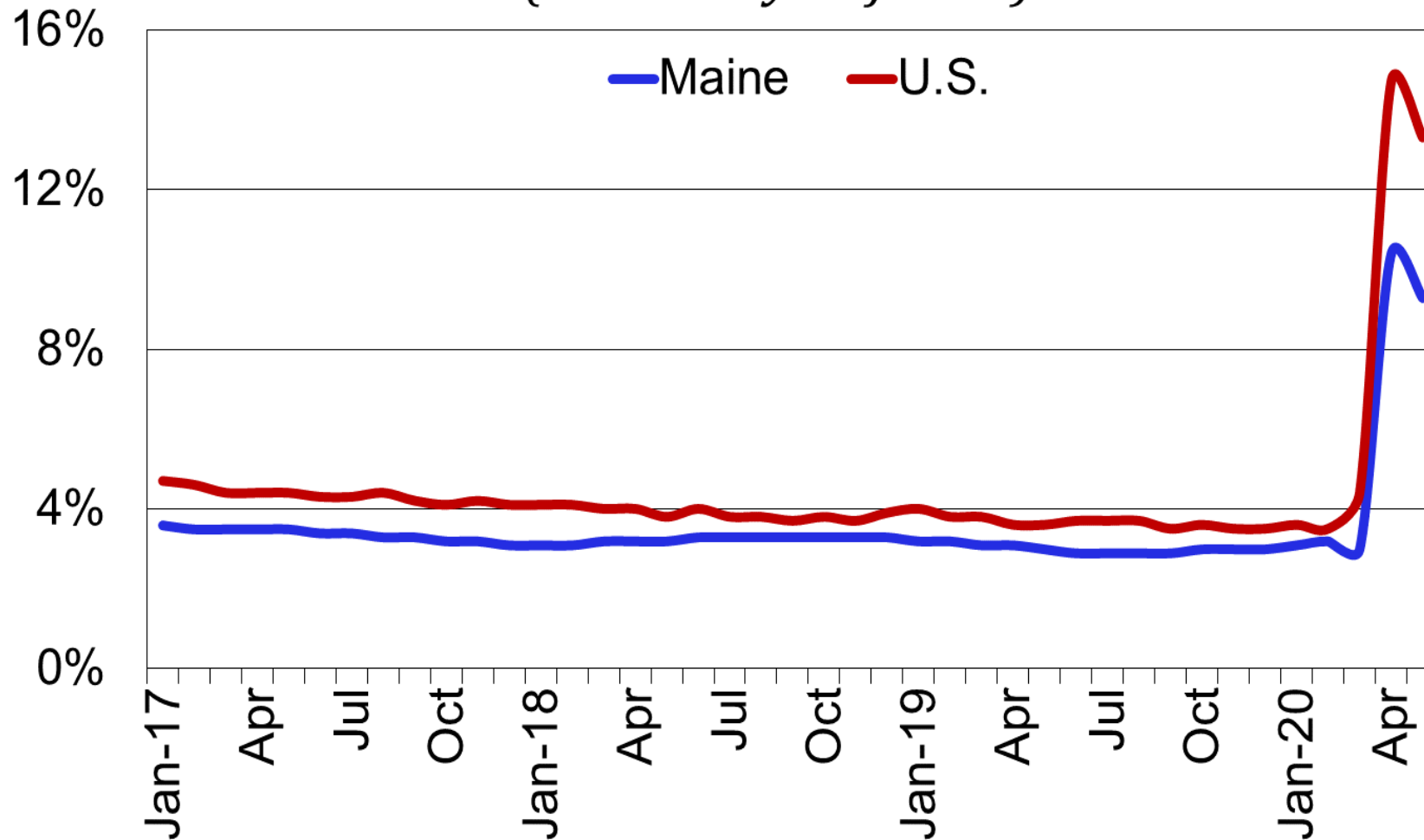
Construction NSA



Household Survey

Unemployment Rates

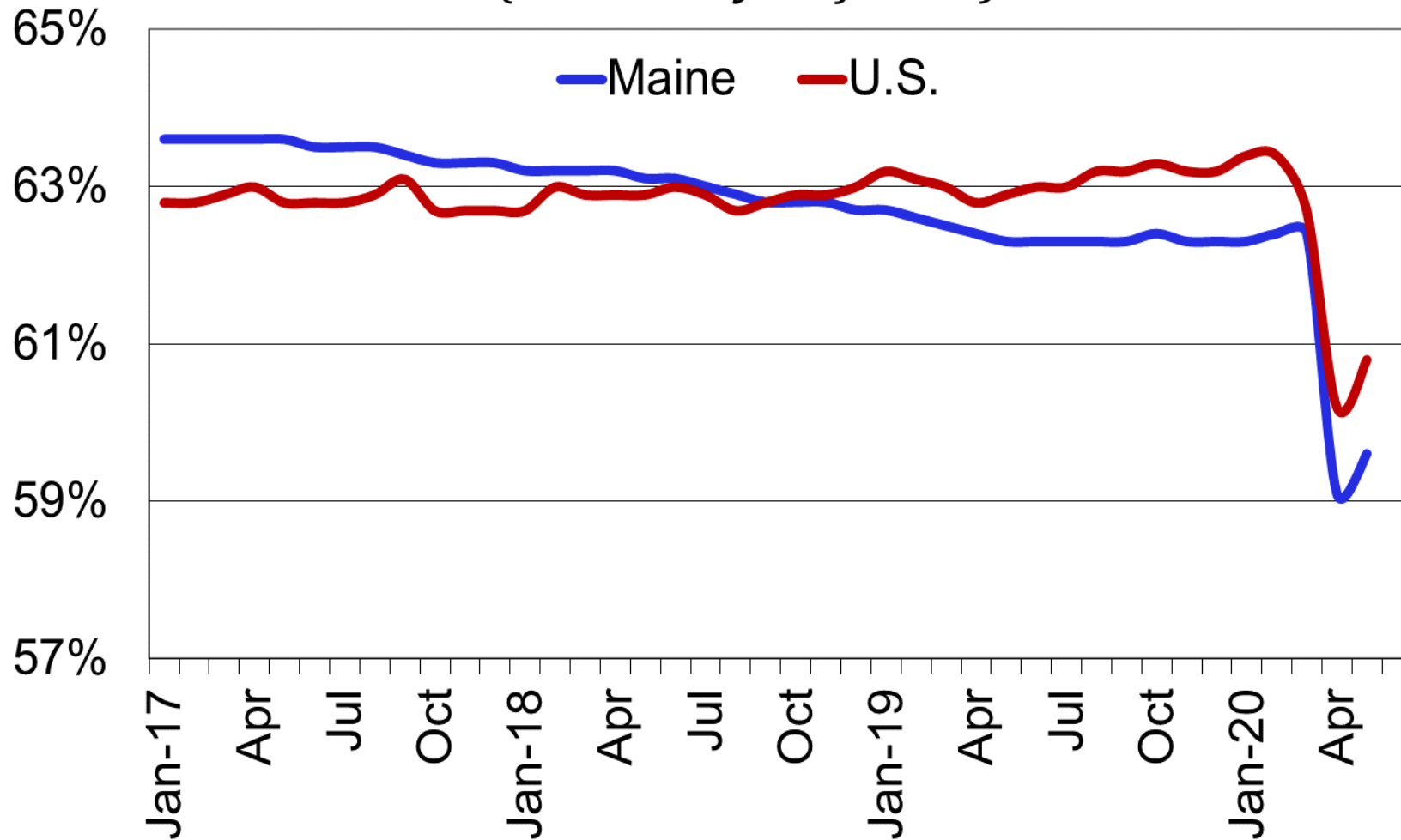
(Seasonally Adjusted)



Unemployment rates surged in April before subsiding modestly in May to 9.3% for Maine and 13.3% for the nation. The number of unemployed people is up less than half as much as net job loss reported by the payroll survey. Two issues are causing unemployment estimates to understate job displacement.

Labor Force Participation Rates

(Seasonally Adjusted)



The first issue is a sharp decline in labor force participation. The share of the population in the labor force usually does not change much in short periods. Between February and May the participation rate declined 2.8 percentage points, reflecting close to 30,000 fewer people in the labor force.

Official Labor Force Estimates for Maine			
Labor Force Status	February	May	Difference
Civilian Population Age 16+	1,114,000	1,115,300	1,300
Labor Force Participation Rate	62.4%	59.6%	-2.8%
Civilian Labor Force	695,000	665,300	-29,700
Employed	673,000	603,200	-69,800
Unemployed	22,000	62,100	40,100
Unemployment Rate	3.2%	9.3%	6.1%
Not in Labor Force	419,000	450,000	31,000

Safety concerns and stay at home orders prevented people who lost their job and wanted another job from engaging in work search. To be counted as unemployed a jobless person must have engaged in work search and been available for work. Those who did not or could not look for work are not considered to be unemployed – they are not in the labor force (along with retired people, full-time students, inmates, homemakers, and others).

Unofficial Alternative Labor Force Estimates for May, 2020		
Labor Force Status	Maine	United States
Official Civilian Labor Force in May	665,300	158,227,000
Civilian Labor Force at February Participation Rate	695,900	164,869,800
Missing From Labor Force	30,600	6,642,800
Official Employed in May	603,200	137,242,000
Misclassified as Employed Rather than Temporarily Unemployed	32,600	4,883,300
Employed Without Misclassification	570,600	132,358,700
Official Unemp + Missing from Labor Force + Misclassified as Employed	125,300	32,511,100
Alternative URate w/ Normal Labor Force Participation & No Misclass	18.0%	19.7%

Source: Maine Dept. of Labor, Center for Workforce Research and Information.

The second issue is related to classification of people who were laid off, but expect to return to their job. Those people are supposed to be classified as “temporarily unemployed.” In May there were 32,600 more people classified as “employed, not at work” than usual, a status usually assigned to people who are on vacation or on sick leave.

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Had those people been properly classified and had they been able to engage in normal work search activities, the number of unemployed people would be near 125,300. That is twice the official estimate (62,100). The unofficial alternative unemployment rate would be 18% for Maine and 19.7% for the U.S.

Part II: Labor Market Projections

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Labor Market Projections: Federal Open Market Committee (Median Projection Q4 2020-2022)



Labor Market Projections: The Congressional Budget Office

	2020				Annual Rate ^a	
	Actual, Q1	Q2	Q3	Q4	2020	2021
Growth of Real GDP ^b						
Since previous quarter	-1.2	-11.2	5.0	2.5	n.a.	n.a.
Annual rate	-4.8	-37.7	21.5	10.4	-5.6	4.2
Growth of Nominal GDP						
Since previous quarter	-0.9	-11.5	5.1	2.6	n.a.	n.a.
Annual rate	-3.5	-38.7	22.2	10.9	-5.4	5.7
Inflation						
Change in the PCE price index (Annual rate)	1.3	-1.2	1.1	1.3	0.6	1.5
Change in the GDP price index (Annual rate)	1.3	-1.5	0.6	0.4	0.2	1.4
Unemployment Rate	3.8	15.1	15.8	11.5	11.5	9.3 ^c
Interest Rates						
3-month Treasury bills	1.1	0.1	0.1	0.1	0.4	0.1
10-year Treasury notes	1.4	0.7	0.8	0.9	0.9	1.0

How does Maine
compare to the
nation:

Payroll Survey so far

- A higher percentage of nonfarm payroll jobs have been lost in Maine compared to the national rate
- Maine: 14.2% rate of job loss from February 2020 to May 2020
- U.S.: 12.8% rate of job loss from February 2020 to May 2020

How does Maine
compare to the
nation:

Employment in high risk industries

- Maine has a higher share of jobs in Retail Trade 12.7% compared to the national share (CES, 2019 annual averages)
- Similar to national share, about 11% of jobs in Maine were in the Leisure & Hospitality sector
- However, Leisure & Hospitality in Maine much more dependent on summer tourism
- Similar to national share, around 8.4% of jobs in Maine were in manufacturing

Difficulty in
projecting future
labor market
conditions:

Uncertainty
due to public
health

- The length of time the COVID-19 virus continues to spread and whether/when a vaccine becomes available
- Whether a second wave of the virus requires additional precautionary measures
- Additional stay at home orders could lead to a bumpy recovery
- Availability of testing: increased testing capacity, contact tracing could localize further shut downs

Difficulty in
projecting future
labor market
conditions:

Uncertainty
due to public
policy

- Whether schools can reopen in the fall and availability of child care
- Federal Pandemic Unemployment Compensation (FPUC) expires at the end of July. Whether or not FPUC is extended
- Paycheck Protection Program (PPP) loans originally intended to last eight weeks
- Additional support for state/local governments, industries in Maine

Difficulty in
projecting future
labor market
conditions:

Uncertainty in
official
statistics

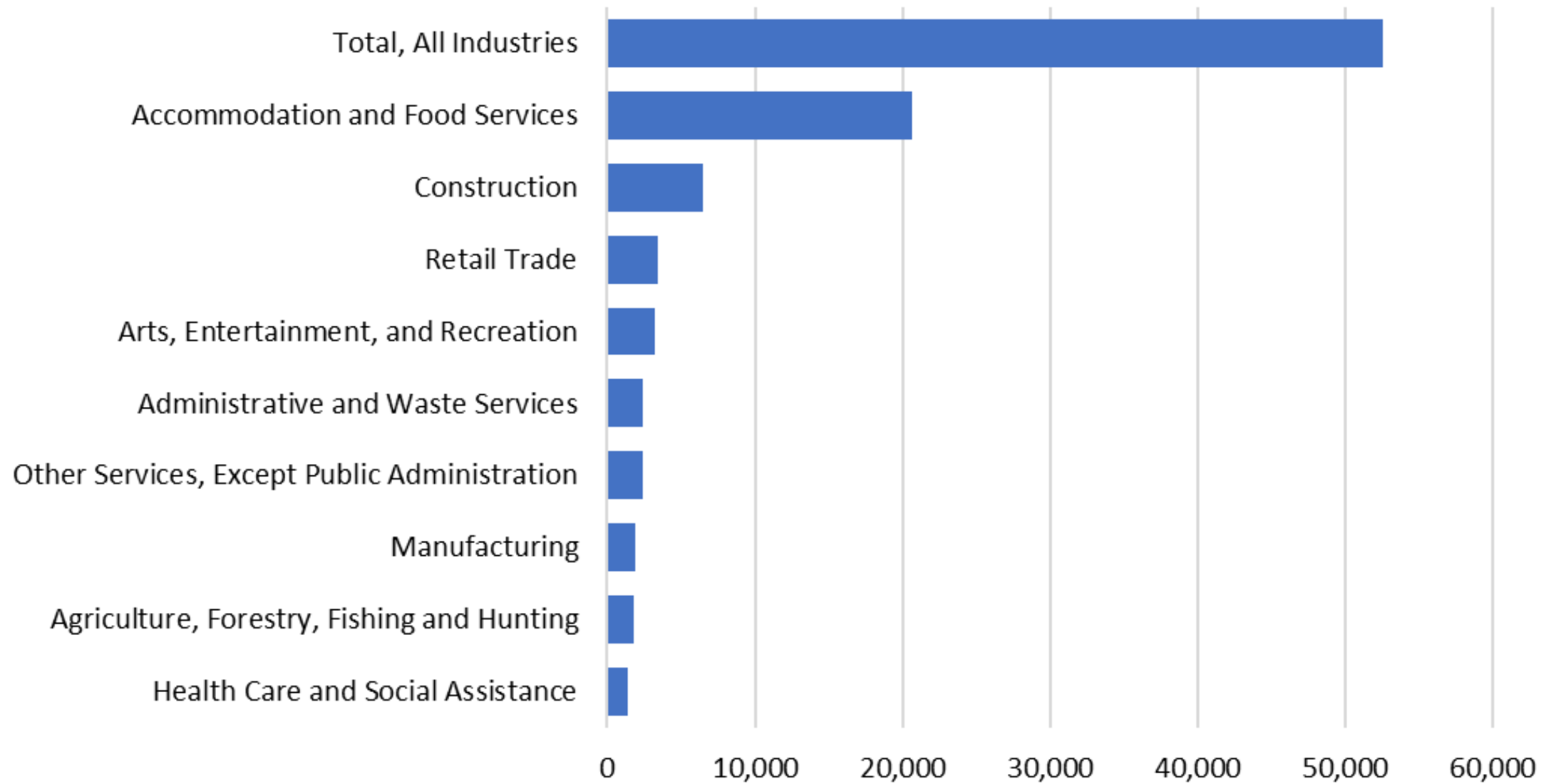
- Challenges associated with classification in the household survey
- Will these problems be resolved?
- Or will the unemployment rate continue to understate the magnitude of labor market disruptions?

Difficulty in
projecting future
labor market
conditions:

Uncertainty
due to changes
in behavior

- How consumer confidence is impacted and whether people return to normal economic activities and/or feel safe returning to work
- The extent to which the COVID-19 pandemic dissuades tourism this summer and beyond
- The number of workers who enter the labor market following traditional seasonal employment and labor force trends generally observed in Maine
- The number of workers who leave the labor force after being displaced

Private Sector Job Growth from Q1 to Q3 2019



Impact on Seasonal Hiring

- Employment in Maine follows seasonal patterns
- The average level of private sector employment in Maine increased by 52,480 in the 3rd quarter of 2019 compared to the 1st quarter of 2019 (QCEW)
- Workers who traditionally enter the labor force seeking seasonal employment may decide not to enter the labor force this year or may decide to seek employment
- There may not be job opportunities for people seeking work this summer
- Gap in regular unemployment and emergency unemployment programs

Long term impact on the Labor Force

- Typically, the labor force participation rate decreases when labor market conditions are not favorable
- CBO nationwide projections: “about 3 million fewer people are projected to be in the labor force by the fourth quarter of next year”
- Short term: lack of child care and seasonal employment opportunities could keep people out of the labor force
- Long term: some workers may exit if good opportunities are not available, older workers may opt to retire early